UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

TIFFANY (NJ) INC. and TIFFANY AND COMPANY,

Plaintiffs,

v.

eBAY INC.,

Defendant.

04 Civ. 4607 (KMK)

JOINT PRETRIAL ORDER

In accordance with Rule 26(a)(3) of the Federal Rules of Civil Procedure and the pre-trial procedures of United States District Judge Kenneth M. Karas, plaintiffs Tiffany (NJ) Inc. and Tiffany and Company (collectively "Tiffany") and defendant eBay Inc. ("eBay") hereby submit the following joint pretrial order:

I. SUBJECT-MATTER JURISDICTION

The jurisdiction of this Court is invoked pursuant to Sections 1331 and 1338 of Title 28, United States Code. There is no dispute concerning jurisdiction.

II. SUMMARY OF CLAIMS AND DEFENSES

A. Plaintiffs' Claims

Tiffany contends that eBay is liable for: (1) direct and contributory trademark infringement of Tiffany's trademarks in violation of Section 34(d) of the Lanham Act, 15 U.S.C. § 1116(d); (2) infringement and the use of false descriptions and representations in violation of Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B); (3) direct and contributory trademark infringement under common law; (4) direct and contributory unfair competition under common law; (5) trademark dilution in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(c); and (6) trademark dilution in violation of New York General Business Law § 360-l.

Tiffany contends that eBay, the operator of an Internet web site located at www.ebay.com, facilitates the promotion and sale in the United States of counterfeit silver jewelry bearing Tiffany's famous TIFFANY and TIFFANY & CO. trademarks. Tiffany further contends that the vast majority of silver jewelry items bearing Tiffany's trademarks available for sale on ebay.com and related sites are counterfeit merchandise. Tiffany contends that eBay: (i) facilitates the sale of these items by providing meaningful assistance to the sellers of the counterfeit merchandise; (ii) is aware, from its Vero program, contacts with brand owners and its own program ostensibly to search proactively for and to remove listings that appear on their face to be offering counterfeit goods for sale that significant quantities of counterfeit merchandise are regularly sold on ebay.com and its related sites; (iii) profits from the sale of the counterfeit merchandise; and (iv) despite knowledge, or reason to know, of the counterfeit sales, fails to take reasonably appropriate measures to prevent the sale of counterfeit merchandise bearing Tiffany's trademarks on ebay.com. Tiffany further contends that the sale of the counterfeit merchandise is also causing great and irreparable damage to its famous name and brand and is causing confusion, mistake and deception of the trade and public.

Whether one looks to the standard for contributory infringement set forth in Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844 (1982), or in The Restatement (Third) of Unfair Competition § 27 (1995), eBay is liable as a contributory infringer because of its knowledge that there are large quantities of counterfeit TIFFANY silver merchandise being sold on the auction sites that it hosts and because of the extensive support that it offers those sellers and the manner in which it closely regulates its marketplace. Under the Inwood decision, eBay is responsible because it continues to provide its platform despite its knowledge, or reason to know, that counterfeit merchandise is being sold. Under The Restatement, eBay is responsible for failing to take reasonable precautions against the sellers' infringing conduct that can reasonably be anticipated. See Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1149 (7th Cir. 1992) (operator of a flea market may be held liable for the infringements of vendors if it "knew or had reason to know" of them); Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996) (dismissal of contributory trademark infringement claim reversed when the defendant had supplied the necessary marketplace – a swap meet - for the sale of substandard quantities of infringing recordings); see also Arista Records, Inc. v. Flea World, Inc., No. 03-2670(JBS), 2006 WL 842883 (D.N.J. Mar. 31, 2006) (contributory copyright infringement); Gucci America, Inc. v. Hall & Associates, 135 F. Supp. 2d 409, 411 (S.D.N.Y. 2001) (Berman, J.) (denial of motion to dismiss claim for contributory trademark infringement against web hosting service).

Tiffany seeks injunctive relief restraining eBay and its officers, agents, servants, employees, attorneys, subsidiaries, successors or assigns and any person or entity acting in concert or participation with eBay from assisting in or contributing to: (a) the offer for sale, sale, advertising or promotion of jewelry bearing the TIFFANY, TIFFANY & CO. or T & CO. trademarks except for genuine merchandise that in its entirety has been made, sponsored or approved by Tiffany; (b) the offer of sale, sale and advertising or promotion of any other jewelry or merchandise that bears trademarks that are confusingly similar to or dilutive of Tiffany's registered trademarks; and (c) the making of any false statements or designation of origination or general false description or representation or any other act calculated, or likely, to confuse or mistake in the mind of the trade or public or to deceive the trade or public into believing that counterfeit products being offered for sale on eBay are in way associated or affiliated or related to Tiffany or Tiffany's genuine jewelry. In addition, Tiffany seeks statutory damages pursuant to 15 U.S.C. § 1117(c) and 15 U.S.C. § 1116(d). Finally, Tiffany seeks to recover its reasonable attorney's fees, taxable costs and disbursements pursuant to 15 U.S.C. § 1117.

B. Defendant's Defenses

eBay contends that settled principles of trademark law preclude a ruling in favor of Tiffany. To prevail in its case, Tiffany must demonstrate that eBay, a party which never has possession of any items offered for sale on its site, is nevertheless contributorily liable because third-party sellers have offered for sale allegedly counterfeit Tiffany items on eBay, even though eBay consistently takes steps to remove such items upon notice by Tiffany of any alleged infringements. See Inwood Labs, Inc. v. Ives Labs, Inc., 456 U.S. 844, 854 (1982) (contributory liability may be imposed only in limited circumstances where a defendant "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement"). As another judge in this Court recently held in a similar suit brought by another plaintiff, Tiffany cannot make this demonstration. See Robespierre Inc. v. eBay Inc., 05 CV 10484 (GBD), Order (S.D.N.Y. Mar. 29, 2006) (Daniels, J.) (denying plaintiff's motion for preliminary injunction arising out of sales of allegedly counterfeit goods on eBay).

Under Inwood and its progeny, Tiffany must establish that eBay has specific knowledge of claimed infringements and that eBay fails to act when it receives knowledge of such infringements. Absent requisite knowledge, eBay has no affirmative duty to seek out and prevent trademark violations by third-party users of its site. See Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992). eBay thus is required to act (and does so act) only when Tiffany reports specific potentially infringing listings to it. Even though eBay has no affirmative duty to do so, eBay undertakes many other efforts to combat the listing of potentially infringing listings on its site, beyond removing listings upon receiving reports of them. Accordingly, eBay never deliberately fails to investigate allegedly infringing activity.

Because eBay already removes listings that Tiffany reports to it, Tiffany's claims against eBay are rendered moot. This is so because even if eBay is found liable for any infringement, such infringement is "innocent." The Lanham Act limits relief for innocent infringement to, at most, an injunction against "future transmissions of such electronic communications" that does not cause "delay." 15 U.S.C. §§ 1114(2)(B) & (C). eBay's removals of the listings reported to it by Tiffany thus constitute the precise remedy that Tiffany could receive under the Lanham Act even if Tiffany succeeded on its claims.

eBay likewise contends (1) that Tiffany cannot demonstrate that it is entitled to statutory damages or attorney's fees, taxable costs and disbursements and (2) that the doctrines of nominative use and exhaustion under the Lanham Act place further limits on Tiffany's claims. These doctrines preclude courts from imposing liability or issuing orders that impede any unrestricted sales of authentic trademarked goods.

Courts confronted with claims similar to those asserted here routinely have refused to impose liability on eBay. See Robespierre, 05 CV 10484 (GBD); Hendrickson v. eBay Inc., 165 F. Supp. 2d 1082, 1095-96 (C.D. Cal. 2001) (granting summary judgment for eBay on plaintiff's trademark and copyright infringement claims and holding that "no law currently imposes an affirmative duty on companies such as eBay to engage in . . . monitoring" of their website); Gentry v. eBay Inc., 99 Cal. App. 4th 816, 820 (Cal. Ct. App. 2002) (declining to "hold eBay responsible for misinformation or misrepresentations originating with other defendants or third parties"); Stoner v. eBay Inc., 56 U.S.P.Q.2d 1852, 1853 (Cal. Super. Ct. 2000) (holding that "eBay is not responsible for the creation or development of information relating to any of the products for which it provides auction services" and stating that "additional information" regarding listed items that eBay includes on its site, "such as logos, category headings, and seller ratings," cannot form the basis for liability). Courts also have recognized that the duty to police trademarks rests with trademark holders.

Since Tiffany's core claims against eBay – that eBay is allegedly liable under the law of trademark infringement for the listings of third-party users – must fail, all of Tiffany's remaining claims also must fail. First, Tiffany's claims sounding in false advertising, dilution, and violations of state law are substantively the same as Tiffany's infringement claims. Second, Tiffany's claims with respect to eBay's purported advertising are inevitably dependent on and ancillary to Tiffany's claims regarding listings of third-party users. Because the latter lack merit, so too do the former.

III. JURY AND TRIAL TIME

This case is to be tried without a jury. Plaintiffs estimate that it will take approximately four to five (4-5) days to present their case-in-chief. Defendant estimates that it will take approximately three (3) days to present its case-in-chief.

IV. MAGISTRATE JUDGE

The parties have not consented to trial of the case by a magistrate judge.

V. STIPULATED FACTS

The parties hereby stipulate to the following facts to be admitted into evidence:

1. Plaintiff Tiffany and Company ("Tiffany & Co.") is a New York corporation with its principal place of business at 727 Fifth Avenue, New York, New York 10022. Plaintiff

Tiffany (NJ) Inc. ("Tiffany (NJ)") is a New Jersey corporation with its principal place of business at 15 Sylvan Way, Parsippany, New Jersey 07054. Tiffany & Co. and Tiffany (NJ) are collectively referred to herein as "Tiffany."

2. Tiffany (NJ) is the owner and Tiffany & Co. is the exclusive licensee and user of the TIFFANY, TIFFANY & CO. and T & CO. trademarks, including those trademarks registered on the Principal Register of the United States Patent and Trademark Office bearing Registration Nos. 23,573, 133,063, 1,228,189, 1,228,409 and 1,669,365. In addition, Tiffany & Co. is the exclusive licensee and user of certain trademarks for the design of jewelry, registered on the Principal Register of the United States Patent and Trademark Office bearing Registration Nos. 1,804,353 and 1,785,204. The foregoing marks are collectively referred to herein as the "TIFFANY Marks."

3. The TIFFANY Marks are valid and subsisting. The TIFFANY Marks bearing Registration Nos. 1,228,189, 1,228,409, 1,804,353 and 1,785,204 have become incontestable.

4. Tiffany sells jewelry, silver, china, glasswork, decorative objects, crystal and clocks under the TIFFANY Marks.

5. Defendant eBay Inc. ("eBay") is a Delaware corporation with its principal place of business at 2145 Hamilton Avenue, San Jose, California 95125.

6. eBay's business consists of an online marketplace at http://www.ebay.com where members buy and sell items listed for sale. The listings are created and posted by third-party users, who register with eBay and agree to abide by a User Agreement. eBay does not itself sell or take possession of any items listed on its site.

7. Among other efforts, eBay has established a set of procedures, known as the "VeRO" (Verified Rights Owner) Program, to address listings offering potentially infringing

items posted on the eBay site. Through the VeRO Program, rights owners can report to eBay listings offering potentially infringing items, so that eBay may remove such reported listings.

VI. STIPULATIONS OF LAW

The parties have not stipulated to any law to be applied in connection with adjudicating plaintiffs' claims or defendant's defenses at a trial in this action.

VII. WITNESSES

A schedule setting forth the witnesses that plaintiffs expect may be called during their case in chief to testify either at trial or by deposition is annexed hereto as Exhibit A. A schedule setting forth the witnesses that defendant expects may be called during its case in chief to testify either at trial or by deposition is annexed hereto as Exhibit B.

VIII. DEPOSITION DESIGNATIONS

A. Plaintiffs' Deposition Designations

Plaintiffs' proposed designations of deposition testimony to be submitted in support of their case-in-chief, along with defendant's corresponding objections and cross-designations, are annexed hereto in Exhibit C. Plaintiffs reserve the right to supplement their proposed deposition designations with the deposition testimony of any individual who is identified on plaintiffs' proposed witness list in the event that such individual is unavailable at trial.

B. Defendant's Deposition Designations

Defendant's proposed designations of deposition testimony to be submitted in support of its case-in-chief, along with plaintiffs' corresponding objections and counter-designations thereto, are annexed hereto in Exhibit D. Defendant reserves the right to supplement its proposed deposition designations with the deposition testimony of any individual who is identified on defendant's proposed witness list in the event that such individual is unavailable at trial.

IX. EXHIBITS

Plaintiffs' list of exhibits to be offered during their case-in-chief, with defendant's objections as to authenticity and other grounds being denoted by single and double asterisks, respectively, is annexed hereto in Exhibit E. Defendant's list of exhibits to be offered during its case-in-chief, with plaintiffs' objections as to authenticity and other grounds being denoted by single and double asterisks, respectively, is annexed hereto as Exhibit F.

Dated: New York, New York
October 6, 2006

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By: ________________________

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SO ORDERED:

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Honorable Kenneth M. Karas
U.S.D.J.

Dated: October ___, 2006